

KEARSLEY COMMUNITY SCHOOLS  
FLINT, MICHIGAN  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2007

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*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

October 2, 2007

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Kearsley Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kearsley Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kearsley Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kearsley Community Schools as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund and the Sinking Capital Projects Fund for the year then ended then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 2, 2007 on our consideration of the Kearsley Community Schools' internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II – VII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kearsley Community Schools' basic financial statements. The additional information on pages 21 - 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

KEARSLEY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Kearsley Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP), according to GASB 34, requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

**Fund Financial Statements:**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

KEARSLEY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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**District Wide Financial Statements:** (Continued)

These two statements report the Kearsley Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006:

	<u>NET ASSETS SUMMARY</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets	\$11,594,404	\$11,932,212
Non-Current Assets	<u>10,913,563</u>	<u>10,158,605</u>
<u>TOTAL ASSETS</u>	<u>\$22,507,967</u>	<u>\$22,090,817</u>
<u>LIABILITIES</u>		
Current Liabilities	\$5,407,212	\$5,916,970
Long-Term Liabilities	<u>441,318</u>	<u>420,832</u>
Total Liabilities	\$5,848,530	\$6,337,802
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	10,633,976	9,879,018
Restricted - Capital Projects	1,398,797	1,240,192
Unrestricted	<u>4,626,664</u>	<u>4,633,805</u>
Total Net Assets	<u>\$16,659,437</u>	<u>\$15,753,015</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$22,507,967</u>	<u>\$22,090,817</u>

KEARSLEY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2007 and 2006, the District wide results of operations were:

	<u>2007</u>	<u>2006</u>
<b><u>REVENUES</u></b>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,735,325	\$1,709,488
Property Taxes Levied for Capital Projects	1,267,882	1,214,600
State of Michigan Unrestricted Foundation Aid	24,590,387	24,711,413
Other General Revenues	<u>611,237</u>	<u>494,902</u>
Total General Revenues	\$28,204,831	\$28,130,403
<u>Operating Grants:</u>		
Federal	1,773,254	1,678,867
State of Michigan	1,857,167	1,691,976
Other Grants	<u>296,501</u>	<u>345,309</u>
Total Operating Grants	\$3,926,922	\$3,716,152
<u>Charges for Services:</u>		
Food Service	477,671	475,895
Athletics	93,235	113,993
Daycare	542,201	514,350
Other Charges for Services	<u>188,435</u>	<u>204,205</u>
Total Charges for Services	<u>\$1,301,542</u>	<u>\$1,308,443</u>
Total Revenues	\$33,433,295	\$33,154,998
<b><u>EXPENSES</u></b>		
Instruction & Instructional Support	18,435,390	17,829,725
Support Services	11,378,838	11,712,124
Community Services	30,073	24,139
Food Service	1,055,769	1,045,468
Athletics	633,144	599,334
Daycare	527,845	562,593
Other Capital Projects	13,111	5,668
Interest on Long-Term Debt	0	13,003
Depreciation	<u>452,703</u>	<u>452,703</u>
Total Expenses	<u>\$32,526,873</u>	<u>\$32,244,757</u>
<b><u>INCREASE IN NET ASSETS</u></b>	\$906,422	\$910,241
<b><u>BEGINNING NET ASSETS</u></b>	<u>15,753,015</u>	<u>14,842,774</u>
<b><u>ENDING NET ASSETS</u></b>	<u><u>\$16,659,437</u></u>	<u><u>\$15,753,015</u></u>

KEARSLEY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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## **GOVERNMENT- WIDE FINANCIAL ANALYSIS**

### Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets increased by \$906,422 to a total of \$16,659,437. The largest portion of the net assets is the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$754,958 due to purchases of new capital assets and principal payments on related debt during the year exceeding depreciation. The District's Unrestricted Net Assets decreased by \$7,141 during the year and the restricted portion of the net assets increased by \$158,605. The restricted Net Assets consist of restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

### Analysis of Results of Operations

The District's overall revenues exceeded its expenses for the year by \$906,422. The total revenues increased by \$278,297 or 1% over last years amounts. The major changes were an increase in property taxes levied as well as increased state and federal grant allocations. Expenditures increased by \$282,116. Major changes were due to increased employer contributions to the Michigan Public School Employees Retirement System.

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

### Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

#### General Fund

The District's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$8,390 during the year with the decrease primarily a result of decreased unrestricted state aid due to a decrease in student enrollment. Revenues for the year increased by \$218,168 primarily a result of increased state and federal grant allocations as well as a prior period adjustment resulting from a Michigan Tax Tribunal decision involving Consumers Energy. Expenditures and other financing uses increased by \$670,707, primarily from increased employer salary and retirement costs. The major source of general fund revenues is state aid and taxes. An analysis is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Kearsley Community Schools foundation allowance was \$7,112 per student for the 2006-2007 school year.

KEARSLEY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's blended student enrollment for 2006-2007 was 3,759 students which is a decrease of 133 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$1,755,237, an increase of \$41,302 from the prior year.

Capital Projects Sinking Fund

The districts Capital Projects Sinking Fund balance increased by \$158,605. Sinking fund taxes levied are the primary source of revenue in the fund and they increased by \$53,282 from the previous year. Expenditures, which are restricted for construction projects, increased by \$872,601 from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual &amp; Original Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$30,726,258	\$30,516,273	\$30,483,738	(0.79)	0.11
Expenditures	30,707,614	30,776,136	30,492,128	0.70	0.92
<b><u>TOTAL</u></b>	<b><u>\$18,644</u></b>	<b><u>(\$259,863)</u></b>	<b><u>(\$8,390)</u></b>		

**ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Kearsley Community Schools amends its budget during the school year. The June, 2007 budget amendment was the final budget for the fiscal year. There were no significant variations between the original and final budget.

The variances between the actual revenues and the original and final amended budgets in the General Fund are due primarily to adjustments to unrestricted state aid as a result of the decrease in blended count on which state aid is based and adjustments to various state and federal grants.

The variances between the actual General Fund expenditures and the original and final amended budgets are a result of employee salary and benefit adjustments and adjustments to state and federal grant expenditures.



KEARSLEY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**CAPITAL PROJECTS SINKING FUND BUDGETARY HIGHLIGHTS**

**CAPITAL PROJECTS FUND BUDGET VS. ACTUAL**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual &amp; Original Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$1,314,627	\$1,314,627	\$1,330,251	1.19	(1.19)
Expenditures	1,029,891	1,170,511	1,171,646	(13.76)	(0.10)
<b><u>TOTAL</u></b>	<b><u>\$284,736</u></b>	<b><u>\$144,116</u></b>	<b><u>\$158,605</u></b>		

The variances between the actual revenues and the original and final amended budgets in the Capital Projects Fund are due to slightly higher property tax collections than anticipated.

The variances between the actual Capital Projects Fund expenditures and the original and final amended budgets are a result of timing differences for completion of scheduled projects.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

A. Debt, Principal Payments

The District's obligation for compensated absences decreased for the year thereby reducing the amount of the District's long term liabilities as follows:

	<u>Principal Balance 7-01-06</u>	<u>Increases 6-30-07</u>	<u>Principal Payments 6-30-07</u>	<u>Principal Balance 6-30-07</u>
Bonds Payable	\$279,587	\$0	\$0	\$279,587
Compensated Absences	165,250	0	3,519	161,731
<b><u>Total Long-Term Debt</u></b>	<b><u>\$444,837</u></b>	<b><u>\$0</u></b>	<b><u>\$3,519</u></b>	<b><u>\$441,318</u></b>

B. Net Investment in Capital Assets

The District's net investment in capital assets increased by \$754,958 during the fiscal year. This can be summarized as follows:

	<u>Balance 7-1-06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6-30-07</u>
Capital Assets	\$24,861,132	\$1,484,833	\$90,577	\$26,255,388
Less: Accumulated Depreciation	(14,702,527)	(729,875)	(90,577)	(15,341,825)
<b><u>Net Investment Capital Assets</u></b>	<b><u>\$10,158,605</u></b>	<b><u>\$754,958</u></b>	<b><u>\$0</u></b>	<b><u>\$10,913,563</u></b>

KEARSLEY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

\* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,112 per pupil for the 2007-08 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

\* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 16.72% in 2007-2008 from 17.74% in 2006-07.

\* The Kearsley Community Schools 2007/2008 adopted budget is as follows:

<u>REVENUE</u>	\$29,449,967
<u>EXPENDITURES</u>	<u>29,986,403</u>
<u>NET (UNDER) BUDGET</u>	<u><u>(\$536,436)</u></u>

The adopted budget reflects the commitment of the Board of Education and Administration to maintain current instructional programs and staffing levels. It is recognized that the use of unrestricted fund balance cannot continue long term and the Board of Education, Administration and members of the various collective bargaining groups have looked at ways to help reduce fringe benefit costs, specifically health care, to allow the district to maintain its programs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Kearsley Community Schools.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$6,723,397
Accounts Receivable	28,280
Due from Other Governmental Units	4,640,026
Inventory	12,143
Prepaid Expenses	190,558
Total Current Assets	<u>\$11,594,404</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	26,255,388
Less: Accumulated Depreciation	(15,341,825)
Total Noncurrent Assets	<u>\$10,913,563</u>
<u>TOTAL ASSETS</u>	<u>\$22,507,967</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$736,374
State Aid Note Payable	2,579,733
Salaries Payable	1,654,508
Accrued Expenses	419,547
Deferred Revenue	17,050
Current Portion of Long-Term Obligations	0
Total Current Liabilities	<u>\$5,407,212</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>441,318</u>
<u>TOTAL LIABILITIES</u>	<u>\$5,848,530</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	10,633,976
Restricted for:	
Capital Projects	1,398,797
Unrestricted	4,626,664
<u>TOTAL NET ASSETS</u>	<u>\$16,659,437</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$22,507,967</u>

See accompanying notes to the basic financial statements.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$18,435,390	\$43,087	\$3,276,292	(\$15,116,011)
Support Services	11,378,838	131,620	97,566	(11,149,652)
Community Services	30,073	13,728	0	(16,345)
Food Service	1,055,769	477,671	553,064	(25,034)
Athletics	633,144	93,235	0	(539,909)
Daycare	527,845	542,201	0	14,356
Other Capital Projects	13,111	0	0	(13,111)
Interest - Long-Term Obligations	0	0	0	0
Depreciation - Unallocated	452,703	0	0	(452,703)
<u>TOTALS</u>	<u>\$32,526,873</u>	<u>\$1,301,542</u>	<u>\$3,926,922</u>	<u>(\$27,298,409)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				3,003,207
State Aid				24,590,387
Investment Earnings				274,226
Miscellaneous				337,011
Total General Revenues and Transfers				<u>\$28,204,831</u>
Change in Net Assets				<u>\$906,422</u>
Net Assets - Beginning - As Restated				<u>15,753,015</u>
<u>Net Assets - Ending</u>				<u>\$16,659,437</u>

See accompanying notes to the basic financial statements.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2007

	General Fund	Capital Projects Sinking Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$5,142,486	\$1,410,526	\$170,385	\$6,723,397
Accounts Receivable	16,657	0	11,623	28,280
Due From Other Governmental Units	4,616,119	0	23,907	4,640,026
Due From Other Funds	0	0	10,561	10,561
Inventory	0	0	12,143	12,143
Prepaid Expenses	190,558	0	0	190,558
<u>TOTAL ASSETS</u>	<u>\$9,965,820</u>	<u>\$1,410,526</u>	<u>\$228,619</u>	<u>\$11,604,965</u>
<u>LIABILITIES</u>				
Accounts Payable	\$715,191	\$11,729	\$9,454	\$736,374
State Aid Note Payable	2,579,733	0	0	2,579,733
Due to Other Funds	10,561	0	0	10,561
Salaries Payable	1,640,218	0	14,290	1,654,508
Accrued Expenses	415,920	0	3,627	419,547
Deferred Revenue	17,050	0	0	17,050
Total Liabilities	\$5,378,673	\$11,729	\$27,371	\$5,417,773
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	0	0	12,143	12,143
Prepaid Expenses	190,558	0	0	190,558
Capital Projects	0	1,398,797	0	1,398,797
Unreserved:				
Undesignated, Reported In:				
General Fund	4,396,589	0	0	4,396,589
School Service Funds	0	0	189,105	189,105
Total Fund Balances	\$4,587,147	\$1,398,797	\$201,248	\$6,187,192
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$9,965,820</u>	<u>\$1,410,526</u>	<u>\$228,619</u>	<u>\$11,604,965</u>

See accompanying notes to the basic financial statements.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2007

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Total Governmental Fund Balances: \$6,187,192

Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported as assets in governmental  
funds. The cost of the assets is \$26,255,387 and the  
accumulated depreciation is \$15,341,825 10,913,563

Long-term liabilities, including bonds payable, are not due and  
payable in the current period and therefore are not reported as  
liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	\$279,587	
Compensated Absences Payable	<u>161,731</u>	
Total Long-Term Liabilities		<u>(441,318)</u>

TOTAL NET ASSETS -  
GOVERNMENTAL ACTIVITIES \$16,659,437

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Capital Projects Sinking Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$2,472,983	\$1,267,882	\$1,128,611	\$4,869,476
State Sources	26,391,651	0	55,903	26,447,554
Federal Sources	1,276,093	0	497,161	1,773,254
Total Revenues	\$30,140,727	\$1,267,882	\$1,681,675	\$33,090,284
<u>EXPENDITURES</u>				
Current:				
Instruction	18,415,109	0	0	18,415,109
Student Services	2,369,012	0	0	2,369,012
Instructional Support	1,480,362	0	0	1,480,362
General Administration	495,201	0	0	495,201
School Administration	2,023,637	0	0	2,023,637
Business Administration	360,337	0	0	360,337
Operation & Maintenance of Plant	2,616,208	0	0	2,616,208
Transportation	1,425,853	0	0	1,425,853
Support Services - Other	622,185	0	0	622,185
Community Services	30,073	0	0	30,073
Food Service	0	0	1,060,253	1,060,253
Athletics	0	0	615,847	615,847
Daycare	0	0	527,845	527,845
Capital Outlay				
Building Improvements	0	1,163,266	0	1,163,266
Total Expenditures	\$29,837,977	\$1,163,266	\$2,203,945	\$33,205,188
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$302,750	\$104,616	(\$522,270)	(\$114,904)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) Other Funds	(582,369)	62,369	520,000	0
Other Transfers	271,229	(8,380)	0	262,849
Total Other Financing Sources (Uses)	(\$311,140)	\$53,989	\$520,000	\$262,849
Net Change in Fund Balance	(\$8,390)	\$158,605	(\$2,270)	\$147,945
<u>FUND BALANCE - BEGINNING</u>	4,595,537	1,240,192	203,518	6,039,247
<u>FUND BALANCE - ENDING</u>	\$4,587,147	\$1,398,797	\$201,248	\$6,187,192

See accompanying notes to the basic financial statements.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

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Total net change in fund balances - governmental funds	\$147,945
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

754,958
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.

0
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Decrease in accrued compensated absences	<u>3,519</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

<u>\$906,422</u>
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KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
AS OF JUNE 30, 2007

	<u>Trust &amp; Agency</u>	<u>Private Purpose Trusts</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$193,015	\$1,604	\$194,619
Investments	<u>0</u>	<u>128,454</u>	<u>128,454</u>
<u>TOTAL ASSETS</u>	\$193,015	\$130,058	\$323,073
<u>LIABILITIES</u>			
Due to Student Groups	<u>193,015</u>	<u>0</u>	<u>193,015</u>
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$130,058</u>	<u>\$130,058</u>

See accompanying notes to the basic financial statements.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trusts</u>
<u>REVENUE</u>	
Interest	\$15,497
<u>EXPENDITURES</u>	
Scholarship Awards	4,500
Other Expenditures	<u>5,574</u>
Total Expenditures	<u>\$10,074</u>
<u>CHANGE IN NET ASSETS</u>	\$5,423
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>124,635</u>
<u>NET ASSETS - END OF YEAR</u>	<u><u>\$130,058</u></u>

See accompanying notes to the basic financial statements.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$2,303,416	\$2,480,173	\$2,472,983	(\$7,190)
State Sources	26,903,862	26,415,141	26,391,651	(23,490)
Federal Sources	1,270,284	1,291,681	1,276,093	(15,588)
Total Revenues	\$30,477,562	\$30,186,995	\$30,140,727	(\$46,268)
<u>EXPENDITURES</u>				
Current:				
Instruction	18,675,643	18,457,285	18,415,109	42,176
Student Services	2,323,214	2,398,434	2,369,012	29,422
Instructional Support	1,467,946	1,500,793	1,480,362	20,431
General Administration	526,442	510,828	495,201	15,627
School Administration	1,984,932	2,037,684	2,023,637	14,047
Business Administration	343,855	371,933	360,337	11,596
Operation & Maintenance of Plant	2,712,723	2,729,204	2,616,208	112,996
Transportation	1,514,062	1,452,949	1,425,853	27,096
Support Services - Other	561,232	652,682	622,185	30,497
Community Services	34,565	34,523	30,073	4,450
Total Expenditures	\$30,144,614	\$30,146,315	\$29,837,977	\$308,338
Excess of Revenues Over Expenditures	\$332,948	\$40,680	\$302,750	\$262,070
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	(314,304)	(300,543)	(311,140)	(10,597)
Net Change in Fund Balance	\$18,644	(\$259,863)	(\$8,390)	\$251,473
<u>FUND BALANCE - BEGINNING</u>			4,595,537	
<u>FUND BALANCE - ENDING</u>			\$4,587,147	

See accompanying notes to the basic financial statements.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
SINKING CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,251,627	\$1,251,627	\$1,267,882	\$16,255
<u>EXPENDITURES</u>				
Current:				
Building Improvements	<u>1,029,891</u>	<u>1,170,511</u>	<u>1,163,266</u>	<u>7,245</u>
Excess of Revenues Over Expenditures	<u>\$221,736</u>	<u>\$81,116</u>	<u>\$104,616</u>	<u>\$23,500</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>63,000</u>	<u>63,000</u>	<u>53,989</u>	<u>(9,011)</u>
Net Change in Fund Balance	<u>\$284,736</u>	<u>\$144,116</u>	<u>\$158,605</u>	<u>\$14,489</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,240,192</u>	
<u>FUND BALANCE - ENDING</u>			<u><u>\$1,398,797</u></u>	

See accompanying notes to the basic financial statements.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Kearsley Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains three school service funds: Food Service, Athletic and Daycare Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Sinking Fund

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan. Voters in the School District renewed \$1.3 mills originally levied in 1998 for another six years now expiring on December 31, 2009 and authorized \$2.0 mills in 2001 for six years expiring on December 31, 2007 to be used for school facility improvement. The Capital Projects Sinking Fund is used to account for the acquisition, construction and renovation of facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.



KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the District for these budgetary funds were adopted to the activity level.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Credit Quality Rating</b>	<b>Portfolio %</b>
Mutual Funds Bonds:				
Loomis Sayles Bond Retail Shares	\$ 9,971	15.0700	A	
Pimco Developing Local Mkts D	6,822	N/A	N/A	
Pimco Commodity Real Return Cl D	3,507	0.9200	A	
Pimco Total Return Class D	18,483	6.9700	AA	
Total Mutual Funds Bonds	\$ 38,783			30.19%
Mutual Fund Equities	73,524	N/A	N/A	57.24%
MILAF External Investment Pool - MIMAX	16,147	0.0027	AAAm	12.57%
Total fair value	<u>\$ 128,454</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>2.1981</u>		

1 day maturity equals 0.0027, one year equals 1.00.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in mutual funds which represents 57% of the District's total investments.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$7,193,250 of the District's bank balance of \$7,488,765 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$194,619	\$ 6,918,016
Investments	<u>128,454</u>
<u>TOTAL</u>	<u>\$ 7,046,470</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 193,015
Cash Private Purpose Trust	1,604
Cash – District Wide	6,723,397
Investments – Private Purpose Trust	<u>128,454</u>
<u>TOTAL</u>	<u>\$ 7,046,470</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 4,405,828
Federal Grants	225,527
Other Grants	<u>8,671</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 4,640,026</u>

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the School District had estimated claims of \$11,959 in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$2,500,000 at 3.68% interest per annum on August 18, 2006, from Citizens Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note was repaid August 20, 2007.

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
State Aid Note	\$2,800,000	\$2,500,000	\$2,800,000	\$2,500,000

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$18,515,579	\$823,579	\$0	\$19,339,158
Land Improvements	1,973,794	360,519	0	2,334,313
Equipment and Furniture	1,912,054	22,607	6,996	1,927,665
Vehicles	2,459,705	278,128	83,581	2,654,252
Totals at Historical Cost	\$24,861,132	\$1,484,833	\$90,577	\$26,255,388
Less: Accumulated Depreciation				
Buildings and Improvements	(11,281,644)	(393,000)	0	(11,674,644)
Land Improvements	(323,939)	(96,911)	0	(420,850)
Equipment and Furniture	(1,193,398)	(96,627)	(6,996)	(1,283,029)
Vehicles	(1,903,546)	(143,337)	(83,581)	(1,963,302)
Total Accumulated Depreciation	(\$14,702,527)	(\$729,875)	(\$90,577)	(\$15,341,825)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	\$10,158,605	\$754,958	\$0	\$10,913,563

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 20,281
Support Services	230,751
Food Service	8,843
Athletics	17,297
Unallocated	452,703
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 729,875</u>

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2007 were \$133,902.

11) LONG-TERM LIABILITIES

A) Durant Resolution Package Bonds

Kearsley Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$473,505 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2007 was \$279,587. The legislature refinanced the repayment schedule during the year ended June 30, 2007.

B) Debt service requirements at June 30, 2007, were as follows:

	Bonds Payable	Interest	Total
June 30, 2008	\$0	\$0	\$0
June 30, 2009	26,352	6,900	33,252
June 30, 2010	27,606	5,645	33,251
June 30, 2011	163,595	59,813	223,408
June 30, 2012	30,296	2,954	33,250
June 30, 2013	31,738	1,511	33,249
<u>TOTAL</u>	<u>\$279,587</u>	<u>\$76,823</u>	<u>\$356,410</u>

C) Changes in Long-Term Liabilities

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Amount Due in One Year
<u>Governmental Activities:</u>					
Bonds Payable	\$279,587	\$0	\$0	\$279,587	\$0
Compensated Absences	165,250	0	3,519	161,731	N/A
<u>Total Governmental Activities</u>	<u>\$444,837</u>	<u>\$0</u>	<u>\$3,519</u>	<u>\$441,318</u>	<u>\$0</u>

The payment dates of sick days payable are undeterminable. The interest expenditures on long-term obligations for the year were \$0.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

12) LEASES

OPERATING LEASES

- A) On February 25, 2005, the District entered into a operating lease with Capital Advantage Leasing for two copiers. The lease is for 60 months and requires monthly payments of \$925. The total cost of the leases for the year was \$11,100.
- B) The District entered into a operating lease with Pitney Bowes for postage machine on December 12, 2002. The lease payment is \$227 per month for a period of five years. The total cost for the year was \$2,724.
- C) On July 27, 2005, the District entered into a operating lease with Capital Advantage Leasing for fifteen copiers. The lease is for 60 months and requires monthly payments of \$9,499. The total cost of the leases for the year was \$94,990.

Future minimum payments are as follows:

<u>JUNE 30</u>	<u>AMOUNT</u>
2008	\$ 126,450
2009	125,088
2010	121,388
2011	18,998
<u>TOTALS</u>	<u>\$ 390,562</u>

CAPITAL LEASE

In October, 2003, the District entered into a lease with All-Lines Leasing for 2 floor cleaners. The lease is for 36 months at \$345 per month. The total cost for the year was \$4,140. The lease was paid in full during the year.

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2007 consisted of the following:

<b>DUE TO</b>	<b>DUE FROM</b>		
	FOOD	ATHLETICS	
	SERVICE		
	<u>FUND</u>	<u>FUND</u>	<u>TOTAL</u>
General Fund	<u>\$5,281</u>	<u>\$5,280</u>	<u>\$10,561</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

TRANSFERS TO	TRANSFERS FROM	GENERAL
		FUND
	Athletics Fund	\$520,000
	Capital Projects Fund	62,369
	<u>TOTAL</u>	<u>\$582,369</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$3,223,027, \$2,869,910 and \$2,520,011, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from significant adverse financial impact.

17) GOVERNMENTAL REGULATION

Substantially all of the school district's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the school district expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the school district. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

18) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

19) SUBSEQUENT EVENTS

On August 20, 2007, the District borrowed \$2,000,000 at 3.68% per annum from Citizens Bank on a State Aid Anticipation Note. The note proceeds will be used to meet cash flow needs for the 2007-2008 fiscal year.



OTHER SUPPLEMENTAL  
INFORMATION

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUND  
AS OF JUNE 30, 2007

	Food Services Fund	Athletic Fund	Daycare Fund	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$114,709	\$400	\$55,276	\$170,385
Accounts Receivable	1,439	10,184	0	11,623
Due from Other Governmental Units	23,907	0	0	23,907
Due from Other Funds	5,281	5,280	0	10,561
Inventory	12,143	0	0	12,143
<u>TOTAL ASSETS</u>	<u>\$157,479</u>	<u>\$15,864</u>	<u>\$55,276</u>	<u>\$228,619</u>
<u>LIABILITIES</u>				
Accounts Payable	\$1,894	\$6,226	\$1,334	\$9,454
Salaries Payable	4,586	4,211	5,493	14,290
Accrued Expenses	1,164	1,069	1,394	3,627
Total Liabilities	\$7,644	\$11,506	\$8,221	\$27,371
<u>FUND BALANCES</u>				
Fund Balance - Reserved for Inventory	12,143	0	0	12,143
Fund Balance - Unreserved and Undesignated	137,692	4,358	47,055	189,105
Total Fund Balance	\$149,835	\$4,358	\$47,055	\$201,248
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$157,479</u>	<u>\$15,864</u>	<u>\$55,276</u>	<u>\$228,619</u>

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	Food Services Fund	Athletic Fund	Daycare Fund	Total
<u>REVENUES</u>				
<u>Local Sources</u>				
Cafeteria Sales	\$477,671	\$0	\$0	\$477,671
Athletic Activities	0	93,235	0	93,235
Tuition	0	0	542,201	542,201
Other Local Revenues	10,687	0	4,817	15,504
Total Local Sources	<u>\$488,358</u>	<u>\$93,235</u>	<u>\$547,018</u>	<u>\$1,128,611</u>
<u>State Sources</u>				
State Reimbursements	55,903	0	0	55,903
<u>Federal Sources</u>				
Headstart	19,211	0	0	19,211
Federal Reimbursements	411,218	0	0	411,218
Commodities	66,732	0	0	66,732
Total Federal Sources	<u>\$497,161</u>	<u>\$0</u>	<u>\$0</u>	<u>\$497,161</u>
Total Revenues	<u>\$1,041,422</u>	<u>\$93,235</u>	<u>\$547,018</u>	<u>\$1,681,675</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers from General Fund	0	520,000	0	520,000
Total Revenues & Other Financing Sources	<u>\$1,041,422</u>	<u>\$613,235</u>	<u>\$547,018</u>	<u>\$2,201,675</u>
<u>EXPENDITURES</u>				
Salaries - Professional	45,628	87,523	199,966	333,117
Salaries - Non-Professional	301,576	267,284	106,212	675,072
Insurances	60,508	17,150	22,036	99,694
Fica, Retirement, Etc.	97,336	88,910	76,491	262,737
Other Benefits	3,599	2,428	3,293	9,320
Purchased Services	12,297	88,487	67,103	167,887
Supplies and Materials	520,224	33,731	44,141	598,096
Capital Outlay	14,077	17,795	0	31,872
Other	5,008	12,539	8,603	26,150
Total Expenditures	<u>\$1,060,253</u>	<u>\$615,847</u>	<u>\$527,845</u>	<u>\$2,203,945</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	(\$18,831)	(\$2,612)	\$19,173	(\$2,270)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>168,666</u>	<u>6,970</u>	<u>27,882</u>	<u>203,518</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$149,835</u>	<u>\$4,358</u>	<u>\$47,055</u>	<u>\$201,248</u>

INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2007

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REVENUES FROM
Local Sources

Current Taxes	\$1,735,325
Earnings on Investments and Deposits	274,226
Tuition	56,815
Rental of School Property	31,424
Medicaid	50,216
Contributions	44,574
Other Local Revenues	280,403
Total Revenues from Local Sources	<u>\$2,472,983</u>

State Sources

State Aid - Membership - Sec. 20	24,590,387
At Risk	699,465
MI School Readiness	113,925
Special Education	750,789
Durant	47,350
Vocational Education	46,882
Other State Grants	142,853
Total Revenues from State Sources	<u>\$26,391,651</u>

Federal Sources

Title I	380,895
Technology Literacy Challenge	10,216
Title V	1,635
Improving Teacher Quality	159,319
Other Grants from ISD	42,158
Hurricane Katrina	232
Special Education - Flowthrough	644,966
Preschool - Flowthrough	15,720
Homeland Security	4,702
Medicaid	16,250
Total Revenues from Federal Sources	<u>\$1,276,093</u>
Total Revenues	<u>\$30,140,727</u>

OTHER FINANCING SOURCES

Other Transfers	96,726
County Special Education Tax	246,285
Total Other Financing Sources	<u>\$343,011</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES
\$30,483,738

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTIONBasic ProgramsBuffey Elementary

Salaries - Professional	\$922,079
Salaries - Non-Professional	57,008
Insurances	186,533
Fica, Retirement, Etc.	251,134
Other Benefits	10,000
Purchased Services	12,083
Supplies and Materials	53,441
Capital Outlay	13,215
Other	1,955
Total Buffey Elementary	<u>\$1,507,448</u>

Dowdall Elementary

Salaries - Professional	1,029,665
Salaries - Non-Professional	31,252
Insurances	219,605
Fica, Retirement, Etc.	276,007
Other Benefits	3,840
Purchased Services	11,872
Supplies and Materials	61,179
Capital Outlay	13,504
Other	2,355
Total Dowdall Elementary	<u>\$1,649,279</u>

Fiedler Elementary

Salaries - Professional	921,870
Salaries - Non-Professional	29,427
Insurances	214,626
Fica, Retirement, Etc.	243,599
Other Benefits	1,110
Purchased Services	12,923
Supplies and Materials	52,536
Capital Outlay	13,024
Other	2,477
Total Fiedler Elementary	<u>\$1,491,592</u>

Weston School

Salaries - Professional	1,099,123
Salaries - Non-Professional	25,322
Insurances	256,373
Fica, Retirement, Etc.	287,637
Other Benefits	7,500
Purchased Services	12,392
Supplies and Materials	42,757
Capital Outlay	17,516
Other	2,230
Total Weston School	<u>\$1,750,850</u>

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION (Continued)Basic Programs (Continued)Middle School

Salaries - Professional	\$2,151,328
Salaries - Non-Professional	55,092
Insurances	484,299
Fica, Retirement, Etc.	566,410
Other Benefits	12,000
Purchased Services	20,145
Supplies and Materials	93,226
Capital Outlay	46,057
Other	7,653
Total Middle School	<u>\$3,436,210</u>

High School

Salaries - Professional	3,107,969
Salaries - Non-Professional	101,024
Insurances	593,997
Fica, Retirement, Etc.	822,839
Other Benefits	44,415
Purchased Services	64,840
Supplies and Materials	193,860
Capital Outlay	99,208
Other	8,867
Total High School	<u>\$5,037,019</u>

Preschool - Weston

Salaries - Professional	41,842
Salaries - Non-Professional	11,670
Insurances	14,592
Fica, Retirement, Etc.	12,968
Supplies and Materials	10,489
Capital Outlay	4,263
Other	25
Total Preschool - Weston	<u>\$95,849</u>

Summer School - Paro

Salaries - Professional	14,906
Salaries - Non-Professional	1,944
Fica, Retirement, Etc.	4,032
Total Summer School - Paro	<u>\$20,882</u>

Total Basic Programs	\$14,989,129
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KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION (Continued)

ADDED NEEDS

Special Education

Salaries - Professional	\$934,137
Salaries - Non-Professional	395,515
Insurances	170,704
Fica, Retirement, Etc.	335,600
Other Benefits	17,300
Purchased Services	1,720
Supplies and Materials	46,301
Total Special Education	<u>\$1,901,277</u>

Compensatory Education

Salaries - Professional	386,152
Salaries - Non-Professional	335,332
Insurances	96,987
Fica, Retirement, Etc.	181,109
Other Benefits	6,136
Purchased Services	437
Supplies and Materials	12,026
Total Compensatory Education	<u>\$1,018,179</u>

Vocational Education

Salaries - Professional	270,068
Salaries - Non-Professional	11,811
Insurances	66,499
Fica, Retirement, Etc.	71,238
Purchased Services	12,420
Supplies and Materials	13,691
Capital Outlay	59,297
Other	1,500
Total Vocational Education	<u>\$506,524</u>

Total Added Needs	<u>\$3,425,980</u>
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<u>Total Instruction</u>	\$18,415,109
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SUPPORT SERVICES

STUDENT SERVICES

Salaries - Professional	1,387,242
Salaries - Non-Professional	205,042
Insurances	261,428
Fica, Retirement, Etc.	396,826
Other Benefits	6,236
Purchased Services	61,506
Supplies and Materials	16,565
Capital Outlay	34,167
Total Student Services	<u>\$2,369,012</u>



KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)INSTRUCTIONAL STAFF

Salaries - Professional	\$689,143
Salaries - Non-Professional	269,292
Insurances	167,212
Fica, Retirement, Etc.	239,653
Other Benefits	13,503
Purchased Services	64,036
Supplies and Materials	34,251
Capital Outlay	1,351
Other	1,921
Total Instructional Staff	<u>\$1,480,362</u>

GENERAL ADMINISTRATION

Salaries - Professional	202,234
Salaries - Non-Professional	46,150
Insurances	28,002
Fica, Retirement, Etc.	60,153
Other Benefits	5,580
Purchased Services	87,865
Supplies and Materials	22,559
Capital Outlay	4,180
Other	38,478
Total General Administration	<u>\$495,201</u>

SCHOOL ADMINISTRATION

Salaries - Professional	960,220
Salaries - Non-Professional	408,795
Insurances	208,415
Fica, Retirement, Etc.	346,314
Other Benefits	33,942
Purchased Services	18,720
Supplies and Materials	47,231
Total School Administration	<u>\$2,023,637</u>

BUSINESS OFFICE

Salaries - Professional	53,560
Salaries - Non-Professional	86,288
Insurances	42,749
Fica, Retirement, Etc.	34,752
Purchased Services	43,585
Other	99,403
Total Business Office	<u>\$360,337</u>

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2007

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SUPPORT SERVICES (Continued)

OPERATION & MAINTENANCE OF PLANT

Salaries - Professional	\$43,260
Salaries - Non-Professional	333,106
Insurances	56,720
Fica, Retirement, Etc.	104,877
Other Benefits	4,314
Purchased Services	1,193,594
Supplies and Materials	866,281
Capital Outlay	10,439
Other	3,617
Total Operation and Maintenance of Plant	<u>\$2,616,208</u>

TRANSPORTATION

Salaries - Professional	55,830
Salaries - Non-Professional	524,580
Insurances	38,020
Fica, Retirement, Etc.	161,556
Purchased Services	117,932
Supplies and Materials	241,977
Capital Outlay	284,615
Other	1,343
Total Transportation	<u>\$1,425,853</u>

OTHER SUPPORT SERVICES

Salaries - Professional	60,009
Salaries - Non-Professional	184,723
Insurances	36,976
Fica, Retirement, Etc.	63,224
Other Benefits	1,263
Purchased Services	261,818
Supplies and Materials	1,143
Capital Outlay	11,098
Other	1,931
Total Other Support Services	<u>\$622,185</u>

Total Support Services	\$11,392,795
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KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2007

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COMMUNITY SERVICES

Salaries - Non-Professional	\$21,550
Fica, Retirement, Etc.	3,779
Purchased Services	1,764
Supplies and Materials	2,980
Total Community Services	<u>\$30,073</u>

Total Expenditures	\$29,837,977
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OTHER FINANCING USES

Improvements Other than Buildings	25,562
Transfers to Other Funds	582,369
Prior Year Adjustments	46,220
Total Other Financing Uses	<u>\$654,151</u>

TOTAL EXPENDITURES AND OTHER  
FINANCING USES

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\$30,492,128

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From)	Receipts	Disbursements	Due to (From)
	Student Groups July 1, 2006			Student Groups June 30, 2007
Adm Office	\$70	\$884	\$439	\$515
Admin-Flow Through	0	2,523	2,523	0
AMS Library	297	65	297	65
Armstrong Art	263	229	452	40
Armstrong Band	275	3,035	2,185	1,125
Armstrong Bridges Postage	0	1,635	1,629	6
Armstrong Chess Club	40	453	308	185
Armstrong Choir	7	3,903	3,689	221
Armstrong Cluster #1	116	12,988	11,146	1,958
Armstrong Cluster #2	2,802	10,792	10,443	3,151
Armstrong Cluster #3	753	11,421	11,623	551
Armstrong Cluster #4	356	1,334	1,396	294
Armstrong Cluster #5	50	0	0	50
Armstrong Cluster #6	287	102	115	274
Armstrong Cluster #7	349	12,847	12,866	330
Armstrong Cluster #8	355	13,411	13,413	353
Armstrong Cross County	514	560	1,074	0
Armstrong Drama Club	2,394	1,154	1,312	2,236
Armstrong Flow Through	3,667	17,352	20,488	531
Armstrong Flower Fund	316	750	793	273
Armstrong KATS	135	0	14	121
Armstrong Language Arts	1,036	0	453	583
Armstrong Money Matters	1,619	1,503	1,284	1,838
Armstrong National Junior Honor	462	824	455	831
Armstrong Office	2,250	3,340	3,087	2,503
Armstrong Science Dept	3,371	3,480	4,183	2,668
Armstrong Social Studies	511	3,732	3,737	506
Armstrong Special Education	0	1,949	1,804	145
Armstrong Student Incentive	1,705	36	1,741	0
Armstrong Student Senate	1,843	3,971	3,553	2,261
Armstrong Yearbook	4,163	15,344	19,444	63
Athletic Office Account	4,969	20,324	22,946	2,347
Athletic Office Fund	189	0	0	189
Baseball	36	0	0	36
Boy Athletics	146	0	0	146
Boys Basketball Team	4,204	14,752	18,538	418
Boys Cross Country	361	841	758	444
Boys Track	910	2,081	913	2,078
Buffey Beautification	184	0	0	184
Buffey Computer Supp	223	0	0	223
Buffey Field Trips	28	1,950	1,955	23
Buffey Flower Fund	194	430	468	156
Buffey Library	1,286	7,122	5,815	2,593
Buffey Office	202	843	801	244
Buffey Student Senate	1,368	1,091	1,411	1,048
Burgtorf Office	25,461	24,121	16,675	32,907

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From)	Receipts	Disbursements	Due to (From)
	Student Groups July 1, 2006			Student Groups June 30, 2007
Cheerleading	\$7,807	\$36,235	\$32,991	\$11,051
Class of 2004	291	0	0	291
Class of 2005	4,605	0	2,000	2,605
Class of 2006	5,947	0	2,807	3,140
Class of 2007	5,906	18,868	24,550	224
Class of 2008	6,314	3,999	3,003	7,310
Class of 2009	709	1,552	630	1,631
Class of 2010	0	2,350	848	1,502
Closeup DC Trip	15	20,518	20,341	192
Davison C-A Co-Op Enrichment	1,975	1,934	3,002	907
Dowdall Office	520	3,790	4,155	155
Dowdall Student Council	135	0	0	135
Fiedler Office	414	9,606	6,182	3,838
Fiedler Read-a-Thon	1,590	2,029	1,757	1,862
Fiedler School Store	153	414	304	263
Girls Basketball Team	18	4,544	4,500	62
Girls Track	281	1,406	1,042	645
Golf	316	4,130	4,446	0
Hornet's Nest	11,645	28,189	31,034	8,800
HS Art	18	1,784	1,593	209
HS Auto Shop	1,195	10,378	11,390	183
HS Band	16	0	0	16
HS Bowling	0	408	408	0
HS Broadcasting	564	150	0	714
HS Business Profession	295	0	0	295
HS Career Academy	65	0	0	65
HS Chess Club	1,199	2,911	3,620	490
HS Choir	1,428	5,733	6,225	936
HS Drama	1,245	3,033	2,727	1,551
HS Football	313	7,480	4,117	3,676
HS Journalism	1,626	4,609	4,840	1,395
HS Jr. National Honor Society	402	0	0	402
HS Library	27	0	10	17
HS Literary Magazine	200	0	0	200
HS National Honor Society	3,065	7,214	6,661	3,618
HS NYC Choir Trip	912	51,602	51,992	522
HS Office Activity	7,527	8,940	12,356	4,111
HS Physical Ed Dept	299	0	0	299
HS SADD	347	0	0	347
HS Science	936	12,183	13,119	0
HS Ski Club	148	510	541	117
HS Softball Team	1,120	1,224	874	1,470
HS Soccer	0	2,244	1,954	290
HS Student Athletic Council	0	547	547	0

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From) Student Groups July 1, 2006	Receipts	Disbursements	Due to (From) Student Groups June 30, 2007
HS Student Senate	\$6,877	\$8,734	\$9,210	\$6,401
HS Technology	2,371	3,220	3,348	2,243
HS Testing	322	6,533	6,549	306
HS World Languages	830	1,159	1,361	628
HS VICA	142	0	0	142
HS Yearbook	21,853	51,472	71,584	1,741
KATS Activity	337	0	0	337
Kearsley Christmas Charity	5,973	19,114	18,348	6,739
Michael Lafia Scholarship	0	1,500	1,500	0
Office Flowthrough	633	837	615	855
Paro Co-Op	3,119	8,713	10,391	1,441
Paro Office	2,212	5,490	1,326	6,376
Past Board Membership Association	1,417	60	0	1,477
Savings Interest	18,697	8,535	0	27,232
Special Services	830	3,110	2,302	1,638
Swim Team	0	348	276	72
Sydney Campbell Mem. Playground	20,195	260	20,394	61
Volleyball	749	4,554	5,073	230
Weston Office	2,093	8,895	9,037	1,951
Wrestling	678	2,524	2,306	896
<u>TOTAL</u>	<u>\$230,683</u>	<u>\$598,744</u>	<u>\$636,412</u>	<u>\$193,015</u>

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
PRIVATE PURPOSE TRUSTS  
STATEMENT OF REVENUE AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2007

<u>BURGTORF SCHOLARSHIP FUND</u>		
<u>BALANCE - JULY 1, 2006</u>		\$108,324
<u>REVENUE</u>		
Interest		14,661
<u>EXPENDITURES</u>		
Scholarship Awards		3,500
Other Expenditures		5,574
Total Expenditures		<u>\$9,074</u>
<u>BALANCE - JUNE 30, 2007</u>		<u>\$113,911</u>
<u>KERBY SCHOLARSHIP FUND</u>		
<u>BALANCE - JULY 1, 2006</u>		\$16,311
<u>REVENUE</u>		
Interest		836
<u>EXPENDITURES</u>		
Scholarship Awards		<u>1,000</u>
<u>BALANCE - JUNE 30, 2007</u>		<u>\$16,147</u>

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$473,505

1998 DURANT RESOLUTION PACKAGE BONDS

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2008	\$0	4.761353%	\$0	\$0
2009	26,352	4.761353%	6,900	33,252
2010	27,606	4.761353%	5,645	33,251
2011	163,595	4.761353%	59,813	223,408
2012	30,296	4.761353%	2,954	33,250
2013	31,738	4.761353%	1,511	33,249
<u>TOTAL</u>	<u>\$279,587</u>		<u>\$76,823</u>	<u>\$356,410</u>



KEARSLEY COMMUNITY SCHOOLS

FLINT, MICHIGAN

FEDERAL AWARDS  
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

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October 2, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of  
Kearsley Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kearsley Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the Kearsley Community Schools' basic financial statements and have issued our report thereon dated October 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kearsley Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kearsley Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kearsley Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Kearsley Community Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Kearsley Community Schools' financial statements that is more than inconsequential will not be prevented or detected by the Kearsley Community Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Kearsley Community Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kearsley Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Kearsley Community Schools  
Page 2  
October 2, 2007

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis & Knopf P.C.*

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

October 2, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Education of  
Kearsley Community Schools

Compliance

We have audited the compliance of Kearsley Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Kearsley Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kearsley Community Schools' management. Our responsibility is to express an opinion on Kearsley Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kearsley Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kearsley Community Schools' compliance with those requirements.

In our opinion, Kearsley Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Kearsley Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kearsley Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kearsley Community Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.



Kearsley Community Schools  
Page 2  
October 2, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kearsley Community Schools, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 2, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Kearsley Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis & Knopf P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I - Regular (05-06)		51530-0506	\$31,903
ESEA Title I - Regular (05-06)		61530-0506	387,636
ESEA Title I - Regular (06-07)		61530-0607	17,797
ESEA Title I - Regular (06-07)		71530-0607	387,636
Total ESEA Title I			<u>\$824,972</u>
Innovative Education Program Strategies	84.298		
Title V (05-06)		50250-0506	2,405
Title V (06-07)		60250-0607	1,635
Total Innovative Education Program Strategies			<u>\$4,040</u>
Technology Literacy Challenge	84.318		
Technology Literacy Challenge (05-06)		54290-0506	9,851
Technology Literacy Challenge (06-07)		64290-0607	7,232
Technology Literacy Challenge (06-07)		74290-0607	3,979
Total Technology Literacy Challenge			<u>\$21,062</u>
Improving Teacher Quality	84.367		
Title IIA (05-06)		50520-0506	118,508
Title IIA (06-07)		60520-0607	132,187
Title IIA (06-07)		70520-0607	28,327
Total Improving Teacher Quality			<u>\$279,022</u>
Emergency Impact Aid	84.938		
Hurricane Katrina Relief		61120-1	232
Total Passed Through Michigan Department of Education			<u>\$1,129,328</u>
Passed Through Genesee Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Flow Through (05-06)		60450-0506	615,690
IDEA Flow Through (06-07)		70450-0607	664,966
Transition Services (06-07)		70490-TS	1,876
Total Special Education - Grants to States			<u>\$1,282,532</u>
Vocational Education - Basic Grants to States:	84.048		
Perkins Secondary Regional (06-07)		73520-7012-5	29,664
Special Education - Preschool Grants	84.173		
IDEA Preschool Incentive (05-06)		60460-0506	10,728
IDEA Preschool Incentive (06-07)		70460-0607	15,720
Total Special Education - Preschool Grants			<u>\$26,448</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$31,903	\$31,903	\$0	\$0	\$31,903	\$0
62,568	369,839	0	0	62,568	0
0	0	17,797	0	17,797	0
0	0	363,098	0	342,481	20,617
<u>\$94,471</u>	<u>\$401,742</u>	<u>\$380,895</u>	<u>\$0</u>	<u>\$454,749</u>	<u>\$20,617</u>
2,405	2,405	0	0	2,405	0
0	0	1,635	0	0	1,635
<u>\$2,405</u>	<u>\$2,405</u>	<u>\$1,635</u>	<u>\$0</u>	<u>\$2,405</u>	<u>\$1,635</u>
9,851	9,851	0	0	9,851	0
0	0	7,232	0	5,423	1,809
0	0	2,984	0	0	2,984
<u>\$9,851</u>	<u>\$9,851</u>	<u>\$10,216</u>	<u>\$0</u>	<u>\$15,274</u>	<u>\$4,793</u>
48,817	118,508	0	0	48,817	0
0	0	132,187	0	130,070	2,117
0	0	27,132	0	0	27,132
<u>\$48,817</u>	<u>\$118,508</u>	<u>\$159,319</u>	<u>\$0</u>	<u>\$178,887</u>	<u>\$29,249</u>
0	0	232	0	232	0
<u>\$155,544</u>	<u>\$532,506</u>	<u>\$552,297</u>	<u>\$0</u>	<u>\$651,547</u>	<u>\$56,294</u>
137,702	615,690	0	0	137,702	0
0	0	644,966	0	495,646	149,320
0	0	1,876	0	1,876	0
<u>\$137,702</u>	<u>\$615,690</u>	<u>\$646,842</u>	<u>\$0</u>	<u>\$635,224</u>	<u>\$149,320</u>
0	0	29,664	0	29,664	0
2,066	10,728	0	0	2,066	0
0	0	15,720	0	11,771	3,949
<u>\$2,066</u>	<u>\$10,728</u>	<u>\$15,720</u>	<u>\$0</u>	<u>\$13,837</u>	<u>\$3,949</u>



KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)			
Passed Through Genesee Intermediate School District (Continued):			
Safe & Drug Free Schools	84.186		
Safe & Drug Free Schools (04-05)		52860-0405	\$9,897
Love & Logic (06-07)			598
Total Safe & Drug Free Schools			<u>\$10,495</u>
Total Passed Through Genesee Intermediate School District			<u>\$1,349,139</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$2,478,467
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	66,434
Bonus Commodities		N/A	298
Total Commodities			<u>\$66,732</u>
School Breakfast Program	10.553	N/A	60,990
National School Lunch Program	10.555	N/A	<u>344,240</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$471,962
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Genesee Intermediate School District			
WIA Title I	17.259		
Year Round Youth Services (06-07)		007-K-6	123
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Michigan State Police			
State Domestic Preparedness Equip Support	97.004	N/A	4,702
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Genesee County Community Action Resource Dept.			
Head Start	93.600	N/A	19,211
Passed Through Genesee Intermediate School District			
Medical Assistance Program Title XIX	93.778		
Medicaid Outreach Claims		N/A	<u>16,250</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			<u>\$35,461</u>
<u>TOTAL FEDERAL AWARDS</u>			<u>\$2,990,715</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$9,897	\$0	\$9,897	\$0
0	0	598	0	598	0
\$0	\$0	\$10,495	\$0	\$10,495	\$0
\$139,768	\$626,418	\$702,721	\$0	\$689,220	\$153,269
\$295,312	\$1,158,924	\$1,255,018	\$0	\$1,340,767	\$209,563
0	0	66,434	0	66,434	0
0	0	298	0	298	0
\$0	\$0	\$66,732	\$0	\$66,732	\$0
1,815	0	61,709	0	60,990	2,534
8,161	0	349,509	0	344,240	13,430
\$9,976	\$0	\$477,950	\$0	\$471,962	\$15,964
0	0	123	0	123	0
0	0	4,702	0	4,702	0
0	0	19,211	0	19,211	0
0	0	16,250	0	16,250	0
\$0	\$0	\$35,461	\$0	\$35,461	\$0
\$305,288	\$1,158,924	\$1,773,254	\$0	\$1,853,015	\$225,527

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007

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FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS

\$1,773,254

FEDERAL REVENUE RECOGNIZED PER THE GENERAL  
PURPOSE FINANCIAL STATEMENTS

General Fund \$1,276,093

School Service Fund 497,161

TOTAL \$1,773,254

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$965,452
Current Payments Per the Grant Section Auditor's Report Cash Management System		
Add: Title I (CFDA 84.010)	\$79,834	
Add: Technology Literacy (CFDA 84.318)	4,624	
Add: Improving Teacher Quality (CFDA 84.367)	26,276	
Total		110,734
<u>Less:</u> State Funded Grants		
School Breakfast Program		(19,409)
<u>Add:</u> Grants Passed Through Genesee Intermediate School District:		
Special Education - State Grants (CFDA 84.027)	\$635,224	
Vocational Education (CFDA 84.048)	29,664	
Special Education - Preschool Grants (CFDA 84.173)	13,837	
Safe & Drug Free Schools (CFDA 84.186)	10,495	
Year Around Youth (CFDA 17.259)	123	
Medical Assistance Program Title XIX (CFDA 93.778)	16,250	
Total Passed Through Genesee Intermediate School District		705,593
Passed Through Michigan State Police		
State Domestic Preparedness Equip Support (CFDA 97.004)		4,702
Grant Passed Through Genesee County Community Action Resource Dept.		
Headstart (CFDA 93.600)		19,211
Entitlement and Bonus Commodities (CFDA 10.550)		66,732
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$1,853,015</u>

KEARSLEY COMMUNITY SCHOOLS - FLINT, MICHIGAN  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)  
84.010  
84.027/84.173

Name of Federal Program or Cluster  
Title I  
Special Education Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no current year findings.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no current year findings.

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

There were no prior year findings or questioned costs.